



# Committee Report

**CONSENT CALENDAR**

**January 31, 2019**

**HOUSE OF REPRESENTATIVES**

**REPORT OF COMMITTEE**

**The Committee on Commerce and Consumer Affairs to  
which was referred HB 347,**

**AN ACT adding insurer's policy administration expenses  
to commercial rate standards. Having considered the  
same, report the same with the recommendation that the  
bill OUGHT TO PASS.**

**Rep. John Hunt**

**FOR THE COMMITTEE**

## COMMITTEE REPORT

Committee:	Commerce and Consumer Affairs
Bill Number:	HB 347
Title:	adding insurer's policy administration expenses to commercial rate standards.
Date:	January 31, 2019
Consent Calendar:	CONSENT
Recommendation:	OUGHT TO PASS

### STATEMENT OF INTENT

This bill was requested by the Insurance Department. It proposes to allow the Insurance Commissioner to permit insurers to include their administrative costs in the calculation of their rates for commercial insurance. It does not change the current law related to the 40% variable that an insurance company may vary a premium from its base rate, but does allow an insurance company to take in account that a commercial company's premium reflects its unique situation.

Vote 18-0.

Rep. John Hunt  
FOR THE COMMITTEE

Original: House Clerk  
Cc: Committee Bill File

## CONSENT CALENDAR

Commerce and Consumer Affairs

**HB 347**, adding insurer's policy administration expenses to commercial rate standards. **OUGHT TO PASS.**

Rep. John Hunt for Commerce and Consumer Affairs. This bill was requested by the Insurance Department. It proposes to allow the Insurance Commissioner to permit insurers to include their administrative costs in the calculation of their rates for commercial insurance. It does not change the current law related to the 40% variable that an insurance company may vary a premium from its base rate, but does allow an insurance company to take in account that a commercial company's premium reflects its unique situation. **Vote 18-0.**

Original: House Clerk

Cc: Committee Bill File

## Stapler, Carol

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**From:** Ed Butler <edofthenotch@gmail.com>  
**Sent:** Wednesday, January 23, 2019 1:50 PM  
**To:** Stapler, Carol  
**Subject:** These are OK, too! --FW: Hunt blurbs

I'll sign if you print 'em!

Ed

-----Original Message-----

**From:** John B Hunt <jbhunt@prodigy.net>  
**Sent:** Tuesday, January 22, 2019 6:03 PM  
**To:** Carol Staple <carol.stapler@leg.state.nh.us>;  
Pam.Smarling@leg.state.nh.us  
**Cc:** Ed Butler <edofthenotch@gmail.com>  
**Subject:** Hunt blurbs

HB 268, relative to real estate commissions paid to unlicensed entities.

This legislation will allow a business entity, such as a limited liability company, to receive a real estate commission payment. The NH Real Estate Commission as well as the NH Association of Realtors have worked together over the past year to create this statutory update. Under the current real estate licensing statute a principal broker may create a business entity to receive a commission but a salesperson may not. Under this bill a licensed salesperson would have the same ability as the broker to receive a commission through a business entity. The Real Estate Commission advised the legislature that the bill will have no impact on consumers but is a needed update to the statute. The bill has no impact on NH revenues.

✓ HB 347 was requested by the Insurance Department. This bill proposes to allow the Commissioner to permit insurers to include their administrative costs in the calculation of their rates for commercial insurance. It does not change the current law related to the 40% variable that an insurance company may vary a premium from its base rate, but does allow an insurance company to take in account that a commercial companies premium reflects its unique situation.

HB 433 as requested by of the Insurance Department. This bill proposes to update the statutes that regulate foreign insurance companies by adding definitions pertaining to unlicensed companies and including language to make clear that surplus lines insurance is Property and Casualty insurance. It also defines international insurance companies as alien insurers. The amendment removes the requirement that alien insures to file tax statements

Two handwritten signatures are present on the right side of the page. The top signature is a stylized, cursive mark. The bottom signature is a more complex, cursive mark, possibly including the name 'John'.

# Voting Sheets

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

EXECUTIVE SESSION on HB 347

**BILL TITLE:** adding insurer's policy administration expenses to commercial rate standards.

**DATE:** January 22, 2019

**LOB ROOM:** 302

**MOTIONS:** OUGHT TO PASS

Moved by Rep. Hunt

Seconded by Rep. Warden

Vote: 18-0

CONSENT CALENDAR: YES

**Statement of Intent:** Refer to Committee Report

Respectfully submitted,

Rep Rebecca McBeath, Clerk

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

EXECUTIVE SESSION on HB 347

BILL TITLE: adding insurer's policy administration expenses to commercial rate standards.

DATE: 1-22-2019

LOB ROOM: 302

MOTION: (Please check one box)

OTP       ITL       Retain (1st year)       Adoption of Amendment # (if offered)
 Interim Study (2nd year)

Moved by Rep. Hunt      Seconded by Rep. Warden      Vote: 18-0

MOTION: (Please check one box)

OTP       OTP/A       ITL       Retain (1st year)       Adoption of Amendment # (if offered)
 Interim Study (2nd year)

Moved by Rep. \_\_\_\_\_      Seconded by Rep. \_\_\_\_\_      Vote: \_\_\_\_\_

MOTION: (Please check one box)

OTP       OTP/A       ITL       Retain (1st year)       Adoption of Amendment # (if offered)
 Interim Study (2nd year)

Moved by Rep. \_\_\_\_\_      Seconded by Rep. \_\_\_\_\_      Vote: \_\_\_\_\_

MOTION: (Please check one box)

OTP       OTP/A       ITL       Retain (1st year)       Adoption of Amendment # (if offered)
 Interim Study (2nd year)

Moved by Rep. \_\_\_\_\_      Seconded by Rep. \_\_\_\_\_      Vote: \_\_\_\_\_

CONSENT CALENDAR: \_\_\_ YES \_\_\_ NO

Minority Report?  Yes  No      If yes, author, Rep: \_\_\_\_\_      Motion

Respectfully submitted: [Signature]
Rep Rebecca McBeath, Clerk





2019 SESSION

Commerce and Consumer Affairs

Bill #: 347 Motion: OTP AM #: \_\_\_\_\_ Exec Session Date: 1-22-2019

<u>Members</u>	<u>YEAS</u>	<u>Nays</u>	<u>NV</u>
Butler, Edward A. Chairman	✓		
Williams, Kermit R. Vice Chairman	✓		
<del>Gidge, Kenneth N.</del> Absent			
Abel, Richard M.	✓		
McBeath, Rebecca Susan Clerk	✓		
Bartlett, Christy D.	✓		
<del>Herbert, Christopher J.</del> Absent			
Van Houten, Constance	✓		
Fargo, Kristina M.	✓		
Indruk, Greg L.	✓		
Muscatel, Garrett D.	✓		
Weston, Joyce	✓		
Hunt, John B.	✓		
Sanborn, Laurie J.	✓		
Osborne, Jason M.	✓		
Costable, Michael	✓		
<del>Plumer, John R.</del> Hill, Greg (Sub)	✓		
Barnes, Arthur E.	✓		
Potucek, John M.	✓		
Warden, Mark	✓		
<b>TOTAL VOTE:</b>	<b>18</b>	<b>0</b>	

# Hearing Minutes

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

PUBLIC HEARING ON HB 347

**BILL TITLE:** adding insurer's policy administration expenses to commercial rate standards.

**DATE:** January 15, 2019

**LOB ROOM:** 302

**Time Public Hearing Called to Order:** 11:15 am

**Time Adjourned:** 11:31 am

**Committee Members:** Reps. Butler, Williams, McBeath, Gidge, Abel, Bartlett, Herbert, Van Houten, Fargo, Indruk, Muscate, Weston, Hunt, Sanborn, J. Osborne, Costable, Plumer, Barnes, Potucek and Warden

**Bill Sponsors:**

Rep. Hunt

TESTIMONY

\* Use asterisk if written testimony and/or amendments are submitted.

**Rep. John Hunt, prime sponsor** - Allows companies to include their administrative costs in the commercial rate standards. Company must provide a statement to the NHDI as to why the administrative cost are included.

**James Fox, Director of PNC, & Christian Citerella, Chief Actuarial, both from NH Insurance Department** - This is a follow along from a change we made last year. This is our Form Approval law, RSA 412:5. We look at forms; we approve them or disapprove them, they must be consistent with our law. I made a mistake (left out a criteria) in the 'prior approval' section (adopted last session).

Process for forms:

1. Prior approval –
2. Use and file – start using the form, and then file it with the NHDI
3. File and use – wait a certain #of days and then you could use it.

The real important thing about insurance is the statutes – not the contracts – the statute rules. The process includes schedule rating, allow the company's to move their rates up and down base on criteria; this bill allows the companies to include their administrative costs in that criterion. Many states already have the policy administration included I their criteria for insurance determine price of insurance policy. How much is it going to cost the company to handle this situation? So now we are allowing the administrative expenses. The NHDI approves rates, then on back end we do a rating exam, to determine the appropriateness of the underwriting of the policy.

**Q: Rep Barnes** - So tell me, are we doing this because everyone else is dong it and then trying to find ways that it will apply to NH? So let me use my homeowner insurance policy as an example – Company thinks I'm a contrary guy so company says it will cost more to negotiate his claim, so we are gong to charge him more for

his policy. Is this what is going to happen?

**A: Mr. Fox** - No this bill only covers ONLY Commercial policies (business policies) – not personal.

**Q: Chairman Butler** - Are any of my of my small business policies covered under this?

**A:** Yes, all but employer compensation.

**Q: Rep. Richard Abel** - I am surprised that this cost isn't already calculated into the company cost. Any commercial can raise or lower its rate by 40% annually?

**A:** Every year companies file their rates with the NHDI, and there is no limit on how the rates can raise or lower. But what we are looking at is at micro level companies can look at how they are performing within the industry.

**A: Ms. Citarella** – This is the subjective part of the rate. This is where the underwriters get into the evaluation, what are the clients safety measures? How tall is the building? How often do employees get in and out of their cars?

**Q: Rep Abel** - Can you clarify what the underwriters are looking at vs. the fixed cost o the business.

**A: Mr. Fox** - The insurer is looking at the insured. Is this company that we are insuring going to be more difficult or less difficult to insure.

**Rep. Christy Bartlett** - Companies are only looking at like types of insured. Modify rates based upon criteria dealing with insured.

**A: Mr. Fox** - the facts are not objective, but the judgments regarding what the administrative costs actually are.

Blue Sheet: Pro, 1; Con, 0

Respectfully Submitted:



Rebecca McBeath, Clerk

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

PUBLIC HEARING ON HB ~~329~~ 347

BILL TITLE: relative to commercial modernization.

DATE: 1-15-19

ROOM: 302

Time Public Hearing Called to Order:

11:15 AM

Time Adjourned:

11:31 AM

(please circle if present)

Committee Members: Reps. Butler, Williams, McBeath, Gidge, Abel, Bartlett, Herbert, Van Houten, Fargo, Indruk, Muscatel, Weston, Hunt, Sanborn, J. Osborne, Costable, Plumer, Barnes, Potucek and Warden

Bill Sponsors:  
Rep. Bartlett

TESTIMONY

\* Use asterisk if written testimony and/or amendments are submitted.

- \* #1 Rep John Hunt - Prime Sponsor
- #3 Christian Citarrella - NH Insurance
- #2 James Fox - NH Dept Insurance

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Answer Fox: No this bill only covers ONLY Commercial policies (business policies) – not personal.

Question Rep. Butler: Are any of my of my small business policies covered under this?

Answer Fox– yes, all but employer compensation.

Question Rep. Abel: I am surprised that this cost isn't already calculated into the company cost. Any commercial can raise or lower its rate by 40% annually?

Answer Fox: every year companies file their rates with the NHDl, and there is not limit on how the rates can raise or lower. But what we are looking at is – a micro level companies can look at how they are performing within the industry.

Answer Citarella – this is the subjective part of the rate. This is where the underwriters get into the evaluation, what are the clients safety measures? How tall is the building? How often do employees get in and out of their cars?

Question Rep Abel: Can you clarify what the underwriters are looking at vs the fixed cost o the business.

Answer Fox: the insurer is looking at the insured. Is this company that we are insuring going to be more difficult or less difficult to insure.

Rep Bartlett Comment – Companies are only looking at like types of insured. Modify rates based upon criteria dealing with insured.

Answer Fox: the facts are not objective, but the judgments regarding what the administrative costs actually are.

Chair Butler adjourned the hearing 11:31 am



# Testimony



**HB 347, adding insurer's policy administration expenses to commercial rate standards.**

#1 Rep John Hunt – Prime sponsor

Allows companies to include their administrative costs in the X  
Company must provide a statement to the NHDH as to why the administrative cost are included.

#2 James Fox and #3 Christian Citerella, Chief Actuarial – NH Insurance Department

#2 Witness James Fox, Director of PNC at NHDH

this is a follow along from a change we make last year.

This is our Form Approval law, RSA 412:5

We look at forms

We approve them or disapprove them – they must be consistent with our law.

I made a mistake (left out a criteria) in the 'prior approval' section (adopted last session)

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\*\*\* The real important thing about insurance is the statutes – not the contracts – the statute rules.

The process includes schedule rating – allow the company's to move their rates up and down base on criteria – this bill allows the companies to include their administrative costs in that criterion.

Many states already have the policy administration included I their criteria for insurance determine price of insurance policy. – how much is it going to cost the company to handle this situation? So now we are allowing the administrative expenses.

The NHDH approves rates, then on back end we do a rating exam, to determine the appropriateness of the underwriting of the policy.

Question Rep Barnes: So tell me, are we doing this because everyone else is doing it and then trying to find ways that it will apply to NH?

So let me use my homeowner insurance policy as an example – Company thinks I'm a contrary guy so company says it will cost more to negotiate his claim, so we are going to charge him more for his policy. Is this what is going to happen?

**HB 347**

#1 Hunt

**adding insurer's policy administration expenses to commercial rate standards**

Good morning Committee members,

I am introducing HB 347 at the request of the Insurance Department. This bill proposes to allow the Commissioner to permit insurers to include their administrative costs in the calculation of their rates for commercial insurance.

James Fox is here from the Department to answer any questions you may have.

Thank you for your consideration of this bill.

Bill as  
Introduced

HB 347 - AS INTRODUCED

2019 SESSION

19-0683

01/10

HOUSE BILL

**347**

AN ACT

adding insurer's policy administration expenses to commercial rate standards.

SPONSORS:

Rep. Hunt, Ches. 11

COMMITTEE:

Commerce and Consumer Affairs

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ANALYSIS

This bill adds insurer's policy administration expenses to commercial rate standards.

This bill is a request of the insurance department.

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Explanation:

Matter added to current law appears in *bold italics*.

Matter removed from current law appears [~~in brackets and struckthrough.~~]

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Nineteen*

AN ACT adding insurer's policy administration expenses to commercial rate standards.

*Be it Enacted by the Senate and House of Representatives in General Court convened:*

- 1       1 Regulation of Forms and Rates for Property and Casualty Insurance; Rate Standards. Amend  
2 RSA 412:15, IV(a) and (b) to read as follows:  
3           (a) Based on an insured's management, safety, and loss control policies and record;  
4           (b) *Based on the policy administration expenses; and*  
5           (c) No greater than plus or minus 40 percent of the insurer's base rates.  
6       2 Effective Date. This act shall take effect 60 days after its passage.